



AUSTIN HOUSING
FINANCE CORPORATION

Austin Housing Finance Corporation

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DATE: June 15, 2015

TO: President Adler and Austin Housing Finance Corporation (AHFC) Board Members

FROM: Betsy Spencer, AHFC Treasurer *BS*

SUBJECT: Agenda Item #2 for the June 18, 2015 AHFC Board Meeting

This memorandum serves to provide an update and additional context regarding Council requested actions related to Aldrich 51 Apartments. On May 7, 2015, a memorandum was distributed to Mayor and Council that included a section on actions to be brought forward to the Austin Housing Finance Corporation (AHFC) Board on June 18, 2015, concerning the Aldrich 51 Apartments.

AHFC Agenda Item #2 is posted as:

Approve an inducement resolution for private activity bond financing to be submitted to the Texas Bond Review Board for an allocation of up to \$25 million in private activity volume cap multi-family non-recourse bonds for the development of the ALDRICH 51 APARTMENTS, to be located on the west side of Aldrich Street between Barbara Jordan Boulevard and East 51st Street, by the bond financing applicant, Austin DMA Housing II, LLC, or its affiliate, and set a public hearing in accordance with the Tax Equity and Financial Responsibility Act. (Suggested date and time: August 6, 2015 at 3:00 p.m., Austin City Hall, 301 W. 2nd Street, Austin, TX.)

This item was previously approved on April 2, 2015, for up to \$20 million in private activity bonds to be issued by AHFC. At the same time, a public hearing was set for April 23, 2015, to receive comments; and the public hearing was subsequently conducted.

As stated in the May 7, 2015 memorandum, the applicant, Austin DMA Housing II, LLC, determined that the \$20 million of private activity bonds to be issued would not be sufficient, along with the project's other financing, to cover the total development cost that is now anticipated to be \$37.6 million. The developer is now requesting an amount of up to \$25 million of private activity bonds to be issued by AHFC.

AHFC's Bond Counsel, Mark Malveaux of McCall, Parkhurst & Horton, LLP advised that because the dollar amount will be increased over what was approved on April 2, 2015, the process must be repeated. Agenda Item #2 starts the process which consists of (1) requesting approval of the inducement resolution for up to \$25 million of bonds to be issued; (2) setting a public hearing date; and (3) conducting the public hearing on the approved date.

The Housing Finance Corporation's statutory authority to issue bonds is a tool to finance the production of housing that is typically mixed-income, such as Aldrich 51 will be. In addition, the bonds are not obligations of the City or AHFC and are not repaid with taxpayer funds. The bonds are paid for through rents collected over time or can be paid off if the debt on the property is refinanced for a lower interest rate.

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Page 2 of 2

Also, AHFC bears no responsibility for the performance of the properties or the bonds. The investors, typically institutional investors, would be expected to understand the risks and returns associated with any type of investment they choose to make.

Finally, as the bond Issuer for Aldrich 51, AHFC will collect an issuer fee of 0.05% (1/2 of one percent) of the amount of bonds issued. In this case, the issuer fee to be collected would be \$125,000 if the entire \$25 million is issued. AHFC has also collected a \$5,000 bond application fee from the developer and will collect an annual monitoring fee based on a percentage of bonds outstanding on January 1st of each year.

Please feel free to contact me with any questions.

cc: Marc A. Ott, General Manager
Bert Lumbreras, Assistant City Manager

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